CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Thursday, 25th October, 1962, at 2.45 p.m.

Present: 

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister
The Right Hon. R. A. BUTLER, M.P., First Secretary of State
The Right Hon. VISCOUNT HAULSHAM, M.P., Lord President of the Council
The Right Hon. REGINALD MAUDLING, M.P., Chancellor of the Exchequer
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations and Secretary of State for the Colonies
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Defence
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport
The Right Hon. JOHN BOYD-CARPENTER, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. J. Enoch Powell, M.P., Minister of Health
The Right Hon. Sir KEITH JOSEPH, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs

The following were also present:

The Right Hon. GEOFFREY RIPPON, M.P., Minister of Public Building and Works (Item 4)

Secretariats:
Mr. A. L. M. Cary
Mr. J. H. WaddeLL
Mr. P. R. Baldwin

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1. The Minister of Transport said that the Chairman of the British Transport Commission, Dr. Beeching, had now discussed with the trade unions his proposals for reducing the labour force in the railway workshops, and with the Chancellor of the Exchequer, the Minister of Labour and himself his proposals for settling the current claims of the railway unions for increases in pay. The Commission and the unions would meet to discuss the pay claims early in November.

The discussions on redundancy had produced a better atmosphere for Dr. Beeching's dealings with the unions; he had admitted that the manner in which he had presented his proposals for redundancy in the railway workshops had produced difficulties for the unions and had indicated that he would adopt a different procedure for the redundancies which would follow from the closure of railway lines. Negotiations were proceeding and the unions had been given the opportunity to suggest modifications of the plans for the workshop redundancies. The threat of immediate strike action on this had receded.

On the pay claim, Dr. Beeching's attitude had been that he should seek a settlement on the terms which he thought the good management and reorganisation of the railways required. The National Union of Railwaymen had claimed 11-5 per cent for the lowest paid railwaymen and 5-65 per cent for the salaried staff whom they represented. The Associated Society of Locomotive Engineers and Firemen had claimed 7 per cent, and the Transport Salaried Staffs' Association 6-4 per cent. Dr. Beeching had agreed that it would be desirable to open negotiations with the unions at a figure lower than that at which he intended to reach a settlement; and, while he saw the attraction of linking negotiations on redundancy with those on pay, he felt that this would be unacceptable to the unions, who would think it wrong to seek a good bargain on pay for men who continued in the industry at the expense of a poor bargain for men declared redundant, or vice versa. Dr. Beeching had indicated that he wanted guidance on the limit to which he could go in settling the pay claims, and he appeared to envisage negotiations opening with 6 per cent and going to 7 per cent. If the Government sought to impose on him a limit which conflicted with his ideas of the requirements of good management he would not acquiesce except under direction. It was not clear whether the powers of the Minister of Transport to issue general directions to the Commission would cover the issue of a direction on a specific point such as an increase in wages. But a letter from the Government would suffice for the purpose. The effect, however, would be that the unions would henceforth regard themselves as dealing with the Government and, if they were to resort to strike action, this would be against the Government. The unions had a strong case on grounds of comparability. Railway wages had risen by 7-9 per cent, including the 3 per cent granted in April 1962, since the rates recommended by Professor Guillebaud were introduced. In the same period wages in engineering had risen by 13-1 per cent; in the gas industry by 15 per cent, and a further 2-7 per cent would become payable early in January next; for local authorities' employees by 7-5 per cent; for Government employees on the M-rate and for National Health Service employees by 17-9 per cent; and there were instances of even higher increases in the transport industry itself. Dr. Beeching was not proposing the full application of the Guillebaud principles, and an increase of 7 per cent would still leave railwaymen at the back of the queue. Railway workers had in the past been prepared to accept relatively low wages in return for the security which their employment had afforded; but this situation had been changed by the reorganisation of the railways, with its accompanying redundancies.
The Minister of Labour said that Dr. Beeching was understandably anxious to maintain the position of an enlightened employer, but there was some risk that he was paying too little attention to the implications of a railway settlement for Government policy and for private industry. A 7 per cent increase would raise the total increases for the railwaymen in the current year to 10 per cent. He believed that Dr. Beeching felt that a settlement at a lower figure, such as 5 per cent, might be achieved, but only after long and bitter argument. Five per cent had been Dr. Beeching’s own suggestion when the current claims were first considered, though it was only fair to say that increases had since been granted in other employments. On the other hand, private soundings which he had made in highly responsible quarters on both sides of industry suggested that the expectation was still of negotiation opening at about 3 per cent and settling at about 4 per cent, and that higher figures would have serious repercussions elsewhere.

In discussion the Cabinet first considered the maximum increase that should be accepted. Various views were expressed. Although Dr. Beeching had said that a final settlement at 7 per cent would be required, it was conceivable that he might be persuaded to accept 6 per cent, or even perhaps 5½ per cent. It seemed to some Ministers that, notwithstanding his acceptance of the need to open negotiations at a lower figure than he envisaged for final settlement, he was still not taking sufficient account of the traditional bargaining methods of the railway unions, who were likely to react favourably if they could negotiate a substantial improvement on a relatively low figure, but would not give him credit for opening at a relatively high figure; and there was therefore a danger that, if he were to open at, say, 5 per cent, he would be unable to finish at much less than 8 per cent. When the settlement of April 1962 was being negotiated he had apparently doubted whether the conditional 3 per cent would be acceptable to the unions, but it had proved to be so. Some Ministers considered that the public would add the 3 per cent settlement of April 1962 to whatever was granted now, and on this basis felt that the upper limit should be 4 per cent. Other Ministers, basing their views partly on the amounts claimed by the unions and partly on the increases obtained in other industries since the Guillebaud rates were introduced in the railways, considered that the upper limit might be put at 5 per cent. Five per cent would bring the total increase in railwaymen’s wage rates since the implementation of the Guillebaud recommendations almost up to the level of those granted in the engineering industry in that period.

In further discussion the following points were made:

(a) It was particularly important that the Government should support Dr. Beeching in carrying through the reorganisation of the railways, which could secure large savings of public money with important advantages to the economy. There might be advantage in concentrating the Government’s assistance on redundancy payments directly related to reorganisation, and this might be done in a manner which would enable the unions to take credit for improved redundancy terms. The same argument might, however, be used to justify increases in pay somewhat larger than would generally be expected.

(b) Whatever settlement of the pay negotiations was reached, the Government should be prepared to present it in such a way that it would not damage incomes policy generally. Care should be taken that, if the upper limit was fixed at a figure lower than the Commission wanted, they should not make their own figure known.

Summing up, the Prime Minister said that senior Ministers should see Dr. Beeching again and indicate that the Government would support him in his redundancy plans and, if necessary, consider sympathetically slight improvements in the redundancy terms. On pay, however, they should take the line that 5 per cent must be
accepted as the outside limit for a settlement. They should indicate that negotiations should open with an offer of about 3½ per cent; that the Government would hope for a settlement at about 4½ per cent; but that some small increase above this figure might be granted if this were absolutely necessary, after fresh reference to Ministers. He would be prepared to help personally in these talks if developments showed this to be desirable.

The Cabinet—

(1) Invited the Chancellor of the Exchequer, in consultation with the Minister of Labour and the Minister of Transport, to inform the Chairman of the British Transport Commission that in the Government's view the current claims of the railway unions should be settled within an upper limit of 5 per cent.

(2) Took note that the Prime Minister would take part in discussion with the Chairman of the British Transport Commission if developments showed this to be desirable.

2. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (62) 169) covering the draft of a White Paper announcing the membership and terms of reference of the National Incomes Commission.

The Chancellor of the Exchequer said that, in addition to the appointment of Mr. Geoffrey Lawrence, Q.C., as Chairman of the Commission, Professor Kirkaldy, Professor of Industrial Relations at Cambridge, had accepted a full-time appointment to the Commission, and some part-time members of appropriate standing were also available. The time had come to make public the terms of reference of the Commission and he proposed to publish a White Paper for this purpose. The draft described the circumstances in which matters relating to pay or other conditions of service or employment might be referred to the Commission. Unilateral reference by one side in a disputed case would not be included; it would be difficult in any important case for either party to refuse reference where the Government indicated that they thought it necessary. He had had discussions with the Chairman about the role of the Commission in relation to profits. The Chairman considered that the White Paper should refer to this point, and the draft had been prepared on the basis of the reference made to this matter in the Prime Minister's speech in Parliament on 26th July. It would make it clear that the Commission were expected to report from time to time on the need, if any, for Government action by fiscal or other appropriate means to restrain any undue growth in aggregate profits that might result from restraint in earned incomes. The trade unions had not withdrawn their objections to the Commission, but he doubted whether they would mount a serious campaign against it.

In discussion it was pointed out that paragraph 4 (ii) of the draft White Paper, which provided for reference to the Commission of matters relating to pay and other conditions of service or employment where the cost was met in whole or in part by the Exchequer, might be interpreted as replacing existing arrangements for arbitration in the public services, where arbitration was accessible at the instance of one party, by reference to the Commission at the instance of the Government. It was in fact the intention that such a reference should not remove the right to subsequent arbitration if this was
desired. On the other hand, it was desirable that the drafting of this paragraph should cover a case where the teachers' unions and their employers had agreed on proposals for changes in teachers' pay which the Minister of Education might wish to modify, in the light of advice from the Commission, in the interests of the education service.

The Cabinet—

Approved the draft White Paper, subject to amendment to meet the points made in their discussion.

3. The Foreign Secretary informed the Cabinet of the latest developments in the situation arising from the imposition by the United States Government of a partial blockade of Cuba designed to prevent the transport to the island of offensive military equipment. A number of Russian ships believed or known to have been carrying military supplies had been diverted or had been ordered to return home. Others, believed to be carrying grain, oil and other civilian supplies were still on course. The United States naval commanders were under orders to intercept them, using minimum force, but no interception had taken place so far. In the Security Council the debate on a United States resolution calling for the withdrawal of offensive missiles from Cuba and the dismantling of missile sites under United Nations supervision had been adjourned in consequence of an intervention by the Acting Secretary-General, who had called on President Kennedy, Mr. Khrushchev and the Prime Minister of Cuba, Dr. Castro, to accept a truce for two or three weeks so that discussions could take place. No replies to this appeal had yet been received.

The Foreign Secretary said that in his view it was necessary at the present juncture to secure three things as a minimum prerequisite to further progress by discussion, viz., the dismantling of the missile sites in Cuba, the stationing of United Nations observers in Cuba to witness this dismantling and the stationing of United Nations observers in Havana to scrutinise incoming cargoes. Unless these conditions could be met it would be impossible for President Kennedy in the present atmosphere to withdraw the United States blockade, and so long as the blockade remained in force it was hard to see how progress could be made. It did not seem that there was any action that the Prime Minister could usefully take at the present juncture; an early visit to Washington, for example, could easily be misinterpreted as a mission of appeasement. He had had occasion to discuss the position that day with the Egyptian Ambassador in London whose Government, in concert with the Government of Ghana, were sponsoring a resolution in the United Nations designed to lead to negotiations. The Egyptian Ambassador had said that his Government had appreciated the difficulty of expecting President Kennedy to make any conciliatory moves until it could be shown that the direct danger to the United States from Cuba had been removed; they found it, however, very much more difficult to see how, in such a process, Mr. Khrushchev could avoid or could be brought to accept a considerable loss of prestige.

The Foreign Secretary said that he had also received the Soviet Chargé d'Affaires in London, whose object had been to suggest that the United Kingdom Government should intervene. It had been explained to him in reply that, while the Government were ready and willing to do so, it would be necessary for the Soviet Government to create a suitable opportunity by making it possible for President Kennedy to make any conciliatory moves until it could be shown that the direct danger to the United States from Cuba had been removed; they found it, however, very much more difficult to see how, in such a process, Mr. Khrushchev could avoid or could be brought to accept a considerable loss of prestige.
it would in his view be essential to remove offensive weapons from Cuba, which he had defined as weapons which could reach the mainland of the United States; he had also told him that the Soviet Government had already lost a great deal of support in South America and would lose more in the world at large in the course of the next day or two unless they made some move to meet the United States. He hoped that these representations might have some effect in Moscow: the Soviet Government had in the past shown themselves sensitive to pressures of world opinion, and did not like being unpopular with uncommitted countries.

In discussion the following points were made:

(a) The blockade which President Kennedy had instituted would be limited in its effect to preventing further military supplies reaching Cuba. He ought at this stage to be prepared to accept United Nations action which would have the same effect as the blockade and might, for example, be limited to the scrutiny of cargoes arriving in Cuba. As against this, however, President Kennedy had declared that he would not be prepared to lift the blockade until the missiles had been withdrawn and their sites dismantled; and it would be difficult for him to accept, as an alternative to the blockade, United Nations action which did not cover missiles and missile sites as well as cargoes.

(b) It was to be expected that the existence of United States missile bases in Europe would feature increasingly in the case which the Soviet Government would present in defence of their action in Cuba. It was unfortunate that at this moment United States representatives in Europe were urging on European Governments the desirability of increasing the medium-range missile forces at the disposal of the North Atlantic Alliance.

(c) A conference confined to the Cuba situation would be the least desirable from the point of view of the cohesion of the North Atlantic Alliance, since it was inevitable that the Soviet Government would seek to extract specific concessions in Europe, e.g., on Berlin or on United States forces or weapons, as the price for concessions over Cuba. A conference should if possible deal with the problem in a broad context and perhaps as part of the first stage of a general disarmament plan.

Summing up the discussion the Prime Minister said that he had discussed the situation with President Kennedy in the evening of 23rd October. He had suggested that the Acting Secretary-General's proposal for a standstill might be accepted provided that work on the missile sites in Cuba ceased, under United Nations inspection, and that United Nations observers were stationed in Cuban ports to examine incoming cargoes. He had also suggested the need to set any conference in as wide a context as possible. In general, the situation remained extremely serious. He would himself be ready to take any opportunity of intervening if he felt that by doing so the prospect of a settlement could be advanced, but it would be necessary to avoid at all costs the temptation of reaching a settlement by lowering the resistance of the free world to aggression. It was equally necessary to avoid driving those who felt that they had been the victims of aggression to desperation. It must be the object of all those who had any influence on the present pattern of events to find a middle course. The situation was still developing rapidly and it might be necessary for him to call a meeting of Ministers at short notice.

The Cabinet—
Took note of these statements.
4. The Cabinet had before them memoranda by the Home Secretary (C. (62) 157 and 158) reporting on the work so far done by the Committee on Population and Employment and discussing proposals for checking the growth of offices in big cities.

The Home Secretary said that, in his first paper (C. (62) 157), he had set out the first views of the Committee which under his chairmanship had been examining major questions of population and employment in Great Britain. The Committee had reviewed and were now co-ordinating work which was in progress in Departments on these questions; and specific proposals would be brought before the Cabinet at a later stage. But it would be helpful if at the present stage the Committee could have the Cabinet's guidance on whether to press on urgently with the formulation of measures to increase the effectiveness of existing policies.

The population of Great Britain was rising rapidly. By 1981 there would be over six million more people in the county than there were now and if present trends continued three-quarters of the addition would be in the Midlands, the South-East and the South-West, and only a quarter in the North, Scotland and Wales. The additional population would call for social expenditure of the order of £6,000 million. Partly because of the attractions of living in the south and south-east of England and partly because of the increasing concentration of employment in these areas and in the Midlands, internal migration was drawing people from other parts of the country. There was, and it was likely that there would continue to be, a relative glut of employment in the Midlands and the South and a relative scarcity elsewhere; and there would be pockets of serious unemployment. Ample employment and thriving industry were usually accompanied by bad housing and travelling conditions. The shortage of land for new house-building was most marked in London, where the growth of office employment was likely by 1980 to add about half a million people to the 13 million people who already travelled daily, in much discomfort, to central London. Expensive capital works would be required to increase the capacity of the transport system; there would be increased pressure to build in the Green Belt around London and the pressure on housing would increase the number of homeless families.

The Government had been criticised for not taking action to secure more effective control over the distribution of industry, but existing policies had (in favourable conditions) succeeded in steering a substantial amount of industry to development districts. On the other hand, local boom conditions had at times caused the Government to adopt measures of disinflation which damaged the poorer areas both by aggravating their existing state and by cutting off the expansion of activity from which relief might have come. It did not appear that within the next three years much could be done to alter this situation, even though during that period projects such as advance factories could be started which would mature later.

The Committee had agreed on the need to secure the fullest use of the country's economic resources but had been in difficulty in devising means of doing this without interfering with industry's own preferences and risking damage to the process of growth, on which the success even of present policies depended. One view of the situation was that nothing should be done which might impair the ability of industry to compete in world markets and that, if the consequences were further development in the South-East and Midlands, these consequences should be accepted. Most of the Committee had felt, however, that new policies ought to be adopted for attracting population and industry to "growing points", i.e., to areas which were especially suitable for industrial development. Some growing points might be located with an eye to increasing trade with Common Market countries. If new policies were not put in hand at an early date, there was a danger of the country being split between a prosperous South and a relatively stagnant North.
In discussion the following points were raised:

(a) In a free society there was a limit to the amount of pressure which could be put on industrialists or work-people to move to places which were unattractive to them. The forces which determined the location of industry and made for the abandonment of the countryside in favour of the towns in certain parts of the country appeared to be very strong and it would be expensive and ineffectual to seek to counter them. The better course would be to accept these social trends and let development take place wherever those responsible for it wanted to put it. It would be a mistake to be daunted by the loss of social capital which might result in the less prosperous parts of the country; it could be argued that most of that capital had been written off already. On the other hand, it was strongly argued that unrestrained development would involve much waste of manpower as well as social capital and that no Government would be able to face the scale of unemployment in some areas and congested conditions in others which would result.

(b) The technological revolution of the past generation had tended to by-pass Scotland and the north of England and it did not appear that the situation in these parts of the country could be materially eased within the limits of existing policies. Skilled manpower was steadily draining away to the South and during the coming winter the rate of unemployment in Scotland was likely to be about 5 per cent.

(c) Although it was easy enough to attribute current movements of population and employment in general terms to affluence, there was a need for research into the more deep-seated causes. Appropriate measures of relief could not be devised without greater knowledge, which could be obtained only through a deliberate encouragement of research in the social sciences. This should cover not only factors determining distribution of employment but also those making for the creation of suburban areas around decaying town centres.

(d) Much of the industry which it would be desirable to locate in the less favoured areas was already linked with established concerns in the Midlands and the South-East and there were undoubted difficulties in increasing the proportion of industry which could be persuaded to move. But a policy based on growing points could be supported by adjustment in capital investment programmes and by pressing forward with arrangements for training skilled work-people. It was possible also that the existing controls could be stiffened; and the Government should be prepared to give maximum weight to social considerations in settling the location of major enterprises, such as new steelworks, for which they had some responsibility.

The Home Secretary said that the purpose of his second paper (C. (62) 158) was to bring to the Cabinet's notice two specific proposals which the Committee had considered for bringing the growth of office employment under closer control. These were that some form of levy should be imposed on office buildings or on the occupation of offices in big cities, and that there should be an amendment of the Third Schedule to the Town and Country Planning Act, 1947, to enable the local planning authorities, without fear of compensation, to exercise firmer control over rebuilding which involved an addition to the office floor space in an existing building. Some Ministers believed that, in spite of the rapid growth of offices in recent years and the scope for further growth, market forces would correct the situation and bring about a break in the boom. They saw grave objection to a tax on offices and to a tightening of the planning law, which might be regarded as an undue erosion of property owners' existing rights. Other Ministers, however, felt that unless the Government intervened strongly conditions in big cities, and particularly in London, would grow worse; and in answer to the social, economic and political problems which would arise it would
not be sufficient to rely on measures which fell short of the proposals for a levy and an amendment of the planning law. There had been general agreement on some minor measures, viz., the further dispersal of Government offices from London, the creation of a special agency to encourage office development outside London and another drive on staggered hours. It would in any event be necessary soon to allow some building development in the London green belt.

In discussion the following points were made:

(e) More than half the employment in London was in offices and from experience in the new towns around London it seemed likely that a great deal of office work could be done just as efficiently outside London. The object of policy should be to oblige office employers to weigh the advantages of moving elsewhere and for this purpose it might not be necessary that the level of tax should be high.

(f) On the other hand, it could be assumed, from the wide gap between rents paid for office space in London and outside London, that a high rate of tax would be necessary in order to produce a worthwhile result. Some Ministers felt that there were general objections to the use of taxation in the manner proposed and that it would be difficult to defend discrimination against offices.

(g) Many of the offices recently built in London had been built on new sites, where the tolerance given by the law in its present form (which could result in a 40 per cent addition to the floor space of the building) did not apply. Removal of the entitlement to expand given by the existing law would not be very effective and would certainly be strongly criticised. It was pointed out, however, that a levy and an amendment of the planning law could be defended on grounds of the heavy public expenditure on roads and other services which resulted from the concentration of employment in central areas.

(h) The suggestion was made that the policy of green belts was outmoded and should be reconsidered. It would in any case be useful if the Cabinet could have a description of the size and general character of the London green belt and those modifications in it which were believed to be inescapable.

(i) The First Secretary of State said that he did not consider a policy of laissez-faire to be adequate. The drift to the South-East would have serious effects on agriculture and in other ways, and conditions for commuters to London were becoming intolerable. The Government would be failing in their duty if they did not press forward with active measures to improve the situation. He would himself favour amendment of the planning law and would like to see the proposal for a levy on offices or office occupation further examined.

The Prime Minister said he thought it important that the Government should adopt a constructive policy to deal not only with the problems which had been discussed, but with national development as a whole. He would like to outline his own ideas at a further meeting of the Cabinet as soon as possible.

The Cabinet—

(1) Agreed to resume their discussion of C. (62) 157 and 158 at an early meeting.

(2) Invited the Minister of Housing to circulate for their information a memorandum describing the extent and character of the London green belt and of the proposed modifications to it.

Cabinet Office, S.W. 1,
26th October, 1962.